

**ECONOMIC DEVELOPMENT ADVISORY COUNCIL
AUGUST 8, 2003
DEPARTMENT OF COMMERCE
2ND FLOOR CONFERENCE ROOM
HELENA, MONTANA**

COUNCIL MEMBERS PRESENT

Dave Gibson, Chair
Jim Atchison
Kathie Bailey
Evan Barrett
Steve Holland
James Klessens
Tony Rudbach
Representative John Sinrud

Mark Sansaver
Mark Simonich
Paul Tuss
Linda Twitchell
Anita Varone
Elaina Zempel
Representative Brennan Ryan

COUNCIL MEMBERS ABSENT

Jane Karas
Erin Lutts

Senator Don Ryan
Senator Mike Sprague

COMMERCE STAFF

Gary Morehouse, Bureau Chief, Regional Development Bureau
Quinn Ness, Program Manager, Certified Regional Development Corporation
Andy Poole, Division Administrator, Business Resources Division
Marty Tuttle, Chief Legal Counsel, Montana Department of Commerce
Janice Wannebo, Program Specialist, MicroBusiness Finance Program

GUESTS

Bill Lombardi, Lombardi Strategic Communications
Patricia Murdo, Research Analyst, Legislative Services Division
Webb Brown, President, Montana Chamber of Commerce

INTRODUCTIONS

Gibson called the meeting to order at 10:05 a.m. with roll call of each Council member. Gibson welcomed the members to the meeting and apologized for the short notice in scheduling this meeting. Simonich followed with introductions of the Department of Commerce staff and briefly explained their responsibilities in regards to this council.

COUNCIL ADMINISTRATION

Gibson referenced a handout that explains the Rules of Order & Council Administration, House Bill 76 history, the duties of the Council, the administrative rule process/timeline, and Rules I - VI (see attached).

Gibson reported that for this council to conduct official business a quorum of the majority of members must be present, proxy votes are not permitted, and meetings will be held quarterly

in Helena (subject to change). Council members will be reimbursed for their travel expenditures at state per diem.

Poole educated Council members on the contents in their economic development council binder (list of Council members, place for minutes from each meeting, Council Administration, House Bill 76, Certified Regional Development Corporations (CRDCs), and the MicroBusiness Finance Program). Poole encouraged the council to keep data concerning this council in the binders and to bring them to each meeting.

OVERVIEW OF HOUSE BILL 76

Simonich explained this Council was appointed by Governor Judy Martz on July 23, 2003 and was formed as part of House Bill 76 during the 2003 Legislative Session. HB 76 states that “up to twelve (12) public members representing each geographic region covered by each of the regional development corporations certified by the Department pursuant to MCA 90-1-116.” Simonich reported that the initial composition of this Council might change once the Certified Regional Development Corporations (CRDCs) are officially formed.

HB 76 states the Council shall:

- Advise the Department concerning the distribution of funds to Certified Regional Development Corporations (CRDCs);
- Prescribe allowable administrative expenses for which economic development funds may be used by the CRDCs;
- Advise the Department regarding the creation, operation, and maintenance of the MicroBusiness Finance Program; and
- Advise the Governor and the Department on significant matters concerning economic development in Montana.

HB 76 abolished Certified Communities and created Treasured Communities to be administered by the CRDCs. Simonich indicated that once the CRDC program is functioning properly, this council would address the Treasured Communities program. The Department’s goal is to distribute funds to CRDCs in January 2004. The CRDC’s statutory appropriation of \$425,000 annually is appropriated through the year 2010.

CERTIFIED REGIONAL DEVELOPMENT CORPORATIONS (CRDCs)

Poole reviewed the administrative rules process and timeline handout with the Council, which began back in April 2003, when the Department prepared and presented a CRDC survey that was distributed to local development organizations throughout Montana. The draft of the administrative rules this council will review was compiled from the fifty-five (55) survey responses.

Poole reviewed Rules I – VI with the Council. The council members accepted the draft of the administrative rules with the exception of changes listed below:

Rule I – Definitions (e) currently reads “Certification” means the criteria and process by which an organization obtains certification for a five-year period and annually maintains certification as a CRDC and becomes eligible to participate in the certified regional development corporation program and to receive an assistance grant.

Following the discussion concerning certification, all Council members agreed a definition should be added regarding de-certification (i.e. a notice by the Department, a correction period and a formal notice of termination). Commerce staff pointed out the contract between the Department of Commerce and the CRDC would be the appropriate place to outline the de-certification process. The Council also mutually agreed the certification period should be changed to read "...not to exceed (7) seven-years...".

(m) "Region" means one of not more than 12 multi-county service regions. Council discussion followed as to whether or not the individual counties could be split and whether the counties should be "clustered" or "grouped" together forming the region?

The Council would prefer that full counties apply within a region but they would allow a county to split in an CRDC applications due to unique relationships a county may have with a certain regional organization, but it is ultimately the responsibility of the county governing bodies, using census boundaries, to actually form their CRDC region. Poole added, and the Council agreed, the minimum counties a region could contain are two (2) counties.

Rule II – Certification of Regional Development Corporations (1) (c) – states a staffing plan that includes current job titles, job descriptions and qualifications of primary personnel. At a minimum, the applicant is required to have two Full Time Equivalents (FTE) performing economic development activities. If the applicant does not currently have two FTEs performing economic development activities, the applicant shall include a hiring plan to meet the requirement.

Poole indicated building the capacity of the organization is the most important task that lies ahead for both the certified organization and this Council. As discussion continued, it was mutually agreed to remove any reference to two full-time employees (FTEs). The regional organization's plan should show they could adequately provide the necessary services outlined in the Department CRDC application. They should have the capability to pull resources together to pursue economic development either in FTEs or contractually. If two FTEs equate to approximately 4,160 hours annually, the organization should have the flexibility to show 4,160 hours dedicated towards economic development. The Council agreed to allow the organization the above flexibility.

(e) Evidence of matching funds in the ratio of \$1 for every \$1 of assistance grant funds requested that satisfy the following requirements: (i) Matching funds for assistance grants shall be provided through existing or new cash from the applicant's administrative budget. The Council agreed matching funds should be in the form of cash with no changes necessary to the above language.

(g) Evidence of broad-based community support that includes written support from all county governments, a majority of all incorporated cities and towns, and a significant level of support from economic development organizations in the region.

Commerce staff pointed out that providing evidence of broad-based community support will be fully detailed and addressed in the certification application. However, Simonich felt it

would be good to separate out support at the time of certification and again at renewal so that an organization is not constantly asking for support letters in their region. It was also noted that tribal government support is not mentioned in the current language. Council members agreed to include the following language: Regions that include reservation(s) are strongly encouraged to seek and document support from the tribal governments in the region.

Rule III - Certification – Ranking Criteria – The Council agreed to the scoring criteria outlined in the draft of the administrative rules but they mutually agreed the process should be omitted in the administrative rules and placed in the Request For Proposal (RFP) process.

Rule IV - Assistance Grants – Distribution Formula – Ness distributed handouts of two scenarios of how funding could be allocated by region (i.e. 50% hard criteria; 50% service criteria versus 75% hard criteria; 25% service criteria). Each scenario contained an example of how the funding would be distributed using 3 (small to large) organizations. The scenarios compared geographic area, square miles, number of counties, incorporated cities and towns and population. Council members in eastern Montana expressed their concerns as to whether or not these funding scenarios/formulas would benefit the eastern CRDCs since they have a vast area to provide service. Barrett would like the formula to emphasize more on awarding counties and cities compared to deflating populations, which would accomplish our prime goal of capacity building of these regions.

The Council mutually agreed to award by the following criteria:

- A minimum of \$25,000 to each of the CRDC organizations to provide the services in their region;
- \$60,000 to the CRDCs according to the following formula:
 - 35% distributed based on the number of counties in a region
 - 25% distributed based on the population of the region served
 - 25% distributed based on the size of the geographic area of the region; and
 - 15% distributed based on the number of incorporated cities or towns in the region served.
 - The remaining assistance grants will be distributed, in the department's sole discretion, to CRDCs for demonstrated capacity building needs.

Rule V – Assistance Grants – Allowable Uses – The Council agreed the language should be changed to read (1) As prescribed by the council, allowable administrative expenses for which assistance grants may be used by a CRDC include: (a) personnel and operating costs; and (b) any other expenses deemed necessary by the council to maintain the organization's certification as a CRDC.

Barrett **MOVED** to accept the above change. Varone **SECOND** the motion. Passed unanimously.

Rule VI – The Council agreed that no changes were necessary on this rule.

Varone asked if an organization has not spent all their funds do they remain there or they come back? Simonich indicated once funds are committed they stay in the organization's budget and the state would not ask for the money back.

OTHER NEW MATTERS

Council members asked if press releases on the governor appointments to this Council were planned. Simonich indicated that since these are governor-appointment positions, the Governor's Office is responsible for the preparation and release of this information and anticipates a press release in the near future. (The press release was issued the day of this meeting, August 8, 2003 by the Governor's Office to newspapers statewide. A copy of the press release was electronically distributed to the Council members on August 18, 2003 for their reference.)

Poole briefly reiterated the approach timelines of:

- Final notice of proposed rulemaking with Secretary of State's office August 21, 2003.
- Conduct Rule Hearing September 18, 2003.
- Written comment due no later than September 26, 2003.
- Final notice of adoption and responses to comments with S.O.S. by October 20, 2003.
- Rules published in MAR and legally effective October 23, 2003.

Following the above timeline, the Department would be prepared to issue an RFP in November 2003. Poole stated that if during the administrative rules hearing there is something that the council needs to discuss, the Department would contact the council members immediately for their input and/or action.

Tuss expressed his concern regarding issues pending in the MicroBusiness Program (i.e. certification, distribution of funds, etc.). Wannebo explained that MBDC re-certification contracts have been renewed for one year. For the MBDCs currently lending state micro-funds with contracts coming up for renewal, the Department has decided to extend their contracts for one more year until the CRDCs have formed. The Department is then required to send a 90-day notice to the MBDC regarding the Department's intent to re-certify them as an MBDC.

PUBLIC COMMENT ON ISSUES WITHIN JURISDICTION OF THE COUNCIL

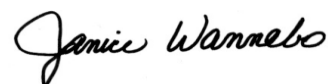
None.

NEXT MEETING

Gibson would like to reconvene this council within the first two weeks of January 2004. During the next meeting the Council will continue to focus on the regional development formation along with education on the MicroBusiness Finance Program. Wannebo will work closely with the Council on the details (date, time, location) of the next meeting.

MEETING ADJOURNS

Gibson adjourned the meeting at 3:00 p.m.



Respectfully Submitted